



DFAS STRATEGIC PLAN

FY 2006-2011

IT'S ABOUT THE CUSTOMER

Message from the Director



To all employees, customers and partners of DFAS:

We stand at a critical juncture in the evolution of the Defense Finance and Accounting Service. While we are not unaccustomed to challenges, never have those challenges been so significant. Nor have we ever been presented with so many opportunities to define our future.

Our work to support America's warfighters continues amidst implementation of Base Realignment and Closure (BRAC) requirements and conversion to the National Security Personnel System (NSPS). The agency is reorganizing itself, adopting operational and process concepts such as High Performing Organizations (HPOs) and Centers of Excellence (COEs), and making use of tools such as Lean/6 Sigma to increase our value to customers.

Transformation is now the key word in many of our developing plans and initiatives. While imaginative and intelligent changes are emerging, we also continue to be customer-focused, strategy-based, and metrics-driven. Everyone within DFAS remains committed to understanding our customers, basing our decisions on a strategy focused on achieving world-class status, and using metrics that drive accountable performance.

To achieve our corporate vision of transforming today to be the trusted financial partner for tomorrow's warfighter, I am pleased to present the DFAS Strategic Plan, FY2006-2011.

The focus for this strategic plan centers on three themes:

- Taking care of our customers - that's why we exist;
- Improving our operations - becoming world-class in all we do; and
- Establishing the "WOW!" factor - delivering a "best value" that excites our customers and motivates our employees

Over the next five years, these themes will provide the direction to each new program and initiative, to the development of new systems and procedures, and in each interaction we have with our customers. How we incorporate them into our professional lives will determine our success.

These are exciting times for DFAS. This strategic plan will provide a roadmap for us in meeting the challenges and overcoming the obstacles we will face in the agency's transformation. The people who are DFAS have shown their resourcefulness and ingenuity time and again to make this agency successful. I am confident that this embodiment of our core values of integrity, service, and innovation will see DFAS through in the years ahead, and keep us on course as we provide the products and services needed by the people we all ultimately serve - the warfighters.

A handwritten signature in blue ink that reads "Zack E. Gaddy". The signature is fluid and cursive, with the first name "Zack" being the most prominent.

Zack E. Gaddy
Director

Table of Contents

1: About the 2006-2011 Strategic Plan	4
2: Developing the Plan	5
2A: Core Values	6
2B: Mission	7
2C: Vision	8
3: Strategic Goals and Objectives	9
4: Integrating the Balanced Scorecard with the Strategic Plan	10
4A: Improving Our Operations	11
4B: Taking Care of Customers	12
4C: Establishing the WOW: Delivering Best Value	13
4D: Establishing the WOW: Motivating Our Employees	14
4E: Using the Balanced Scorecard to Measure Our Strategy	15
5: What This Plan Means to You?	16
Glossary	18

1: About the 2006-2011 DFAS Strategic Plan

The 2006-2011 Defense Finance and Accounting Service's (DFAS) Strategic Plan continues efforts to keep the organization focused on its key mission of delivering professional finance and accounting services in support of the warfighters who defend America.

As technology moves from an emphasis on information to intelligence, DFAS is discovering new opportunities for providing services faster, better and cheaper through intelligent systems — systems that perform logical and analytical tasks faster and with fewer mistakes. New federal requirements such as BRAC and NSPS have influenced agency strategies, providing opportunities for improvements and strategic challenges to achieve in a robust future spanning the next 5 – 10 years.

The DFAS strategy links directly with the Office of the Under Secretary of Defense (Comptroller) [OUSD(C)] strategy as illustrated in Figure 1, and provides a roadmap for change that translates this ambitious vision for the future into tangible actions for accomplishment within the next five to ten years. This FY 2006–2011 roadmap includes overarching strategic goals, corporate objectives, and key initiatives important at all levels of the organization in accomplishing the DFAS strategy. Corporate-level performance measures will track progress as the agency moves confidently forward in transforming DFAS from a geographically-dispersed, transaction-dependent organization to a smaller, more agile organization providing effective financial analysis and world-class pay and accounting services.

OUSD(C) Goals	OUSD(C) Outcomes	DFAS Goals	DFAS Objectives
Build and ensure the proper execution of balanced and defensible budgets that support the DoD mission	More efficient and timely process for formulating, justifying, and executing a DoD budget that reflects the national security policies and priorities of the President and the SecDef	Attain operational excellence in finance and accounting services	<ul style="list-style-type: none"> • Provide instant access to comprehensive financial data • Provide quality financial analysis and timely advice • Establish dynamic partnerships to execute ERP solutions • Implement best business practices to increase productivity and reduce costs • Integrate e-Solutions through state-of-the-art technology • Fulfill BRAC requirements • Create Centers of Excellence and HPOs • Execute NSPS requirements • Reshape workforce to meet mission needs
Ensure proper stewardship of Defense Department funds.	Improved efficiency, financial stewardship, and productivity in DoD business operations.	Deliver financial information on-demand for decision-makers	
Provide the SecDef and Senior Leadership with authoritative and timely financial information and analysis.	Integrated, end-to-end financial management process and systems that support accurate financial reporting and broader DoD-wide business transformation	Transform DFAS to become a Center of Excellence	
Drive DoD-wide business transformation through leadership of financial management process and systems improvements.	Advanced skills and capabilities for the OUSD (C) workforce.	Attain a highly professional workforce with indispensable skills and competencies	
Attain the highest level of professional competence and continuously improve the skills and abilities of DoD's financial workforce			

Figure 1: DFAS Links with OUSD(C)

2: Developing the Plan

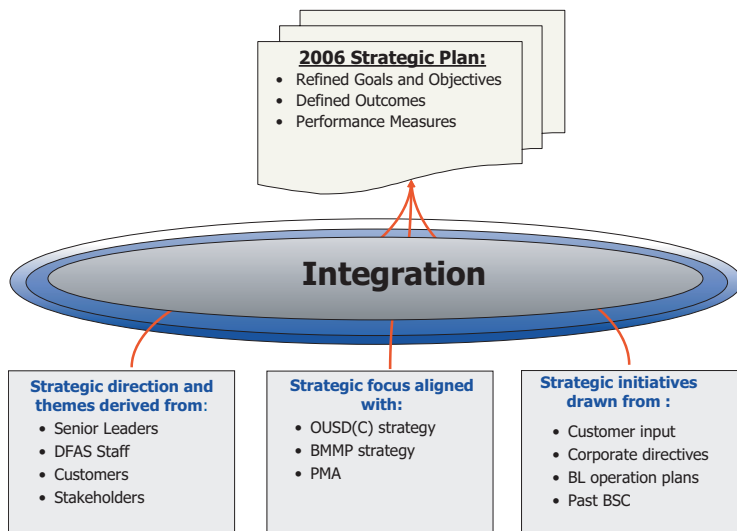


Figure 2: Strategic Plan to BSC: How we got here

The DFAS strategy uses a variety of sources for information, trends, and direction. Information on finance and accounting best practices from government agencies and commercial enterprises was reviewed to form this plan's foundation. Technological advances, political initiatives, and financial realities have been used in setting agency strategic objectives.

DFAS also collaborated across the Department of Defense (DoD) financial community and listened to customers, stakeholders, and most importantly, agency employees on the front lines of service delivery.

Comments from across this spectrum called for:

- More focus on the warfighter
- Emphasis on *leading the way* in integrating technological advances in finance and accounting practices
- Greater use of technology and innovation in decreasing cost to the customer while increasing quality and productivity
- Easy access to integrated financial information and increased availability of business intelligence to enhance customer decision making
- Encouraging new ideas and fresh thinking through enhanced focus on employees
- Increased focus on partnerships with our customers, and especially in working together as a community in developing innovations and solving enduring problems

This information has broadened agency thinking and provided focus for an ambitious 5-year agenda. DFAS is integrating systems and streamlining the organization in line with BRAC requirements. Employee skills and capabilities are being enhanced through successfully implementing NSPS requirements. Important technical advances are being made through close alignment with the DoD Business Transformation Agency (BTA) and aligning management practices with the President's Management Agenda (PMA).

To understand this strategic plan and its implications for the short- and long-term future of DFAS, it is also vital to understand the nature of the organization as embodied in its core values, mission and vision.

2A: Core Values

OUR FOCUS IS ON THE WARFIGHTERS AND EVERYTHING WE DO TO SUPPORT THEM.

The DFAS core values form the essential character of each individual within the agency. They are the guiding principles for each plan, project or action. These are the beliefs that must be a part of everything we do, have withstood the test of time, and will see us into the future. They are the foundation of the trust our customers have given us, the sense of partnership we hold for each person or organization we support, and the notion that, whatever our past accomplishments may be, they serve only as milestones to even greater successes.

INTEGRITY: *DOING WHAT IS RIGHT*

- Accountability
- Dependability and commitment
- Rewards linked to performance

SERVICE: *STRIVING TO BE A TRUSTED FINANCIAL PARTNER*

- Collaboration within and across governmental organizations
- Commitment to financial stewardship
- Timely and accurate information
- World-Class performance

INNOVATION: *CREATING NEW WAYS TO DO BUSINESS*

- State-of-the-art technology to become a trusted financial partner
- Advanced enterprise systems
- Business intelligence

2B: Mission

THE MISSION OF DFAS IS TO PROVIDE ACCOUNTING AND FINANCE SERVICES FOR THE MILITARY DEPARTMENTS AND DEFENSE AGENCIES.

Our mission is about the customer. It is delivering responsive accounting and finance services to the men and women in uniform, as well as to those who support the warfighters defending our country. It is about providing timely and useful business intelligence to decisions makers who, with the right information, can more effectively manage their resources in support of our troops at home and abroad.

DFAS is the world's largest finance and accounting operation and much more. Our mission has expanded from providing what the customer needs today to *anticipating* how these needs will evolve for tomorrow. Developing and maintaining close relationships with our customers is how DFAS meets client needs with integrity, service, and innovation.

DFAS is an agency supporting the OUSD (C), the principal advisor to the Secretary of Defense for budgetary and fiscal matters. As such, it is the responsibility of DFAS to coordinate and collaborate with all civilian defense agencies, the military services and the combatant commands that provide warfighting capabilities for America's defense.

2C: Vision

TRANSFORMING TODAY TO BE THE TRUSTED FINANCIAL PARTNER FOR TOMORROW'S WARFIGHTER

Our vision is about our future... and DFAS focuses on being a trusted partner and a Center of Excellence (COE) for government finance and accounting. To achieve this vision, DFAS is pursuing continuous improvement in the delivery of finance and accounting services in support of the warfighter. Strategic goals that support this vision align with those in the OUSD(C) strategic plan, and focus on achieving measurable outcomes that result in:

- Operational excellence in the delivery of finance and accounting services
- Trusted partnership with DFAS customers and on-demand business intelligence
- Agile organization with fully integrated and automated systems
- Be known as the employer of choice: Right people, right skills, right jobs

3: Strategic Goals and Objectives

DFAS has four long-term (5+ years) **strategic goals** to help bring its vision into clearer focus and five targeted outcomes necessary for its strategy to become reality. These goals and outcomes provide structure in defining our nearer-term (3-5 years) **strategic objectives** and cascade throughout the organization, assisting in the development, refinement and prioritization of actionable initiatives and allocating resources.

Goal 1: Attain operational excellence in finance and accounting services

Outcome: Operational Excellence in the delivery of finance and accounting services

Strategic Objectives:

- 1.1 Implement best business practices to increase productivity and reduce costs
- 1.2 Integrate e-solutions through state-of-the-art technology

Goal 2: Deliver financial information on-demand for decision-makers

Outcomes: Trusted partnership with our customers and on-demand business intelligence

Strategic Objectives:

- 2.1 Provide instant access to comprehensive financial data
- 2.2 Provide quality financial analysis and timely advice
- 2.3 Establish dynamic partnerships to execute Enterprise Resource Planning (ERP) solutions

Goal 3: Transform DFAS to become a Center of Excellence

Outcome: Agile organization with fully integrated and automated systems

Strategic Objectives:

- 3.1 Fulfill BRAC requirements
- 3.2 Create Centers Of Excellence and High Performing Organizations (HPO)
- 3.3 Execute NSPS requirements

Goal 4: Attain a highly professional workforce with indispensable skills and competencies

Outcome: Be known as the employer of choice: Right people, right skills, right job

Strategic Objective:

- 4.1 Reshape workforce to meet mission needs

4: Integrating the Balanced Scorecard with the Strategic Plan

Developing a great corporate strategy is one thing, implementing its initiatives and assessing progress is an ongoing process of “plan, do, check, act.” The greatest of ideas and noblest of strategic intents will flounder in corporate archives without a structured method to assess progress. Measuring the impact of agency strategy on its customers, internal operations, the financial health of the organization, and its ability to grow, train, and motivate the workforce is crucial in meeting the flexing demands of a dynamic marketplace. The DFAS strategic plan aligns nicely within the four perspectives of a Balanced Scorecard (BSC) as pictured in Figure 3 below. The strategic objectives align with the goals and serve as focus areas for defining corporate initiatives.

The next section describes in more detail the strategic goals, strategic objectives, and the corporate level performance measures designed to track progress and provide useful information on goal accomplishment. The DFAS BSC for FY 2006 includes measure details tied to achievement targets for FY 2006-2008.

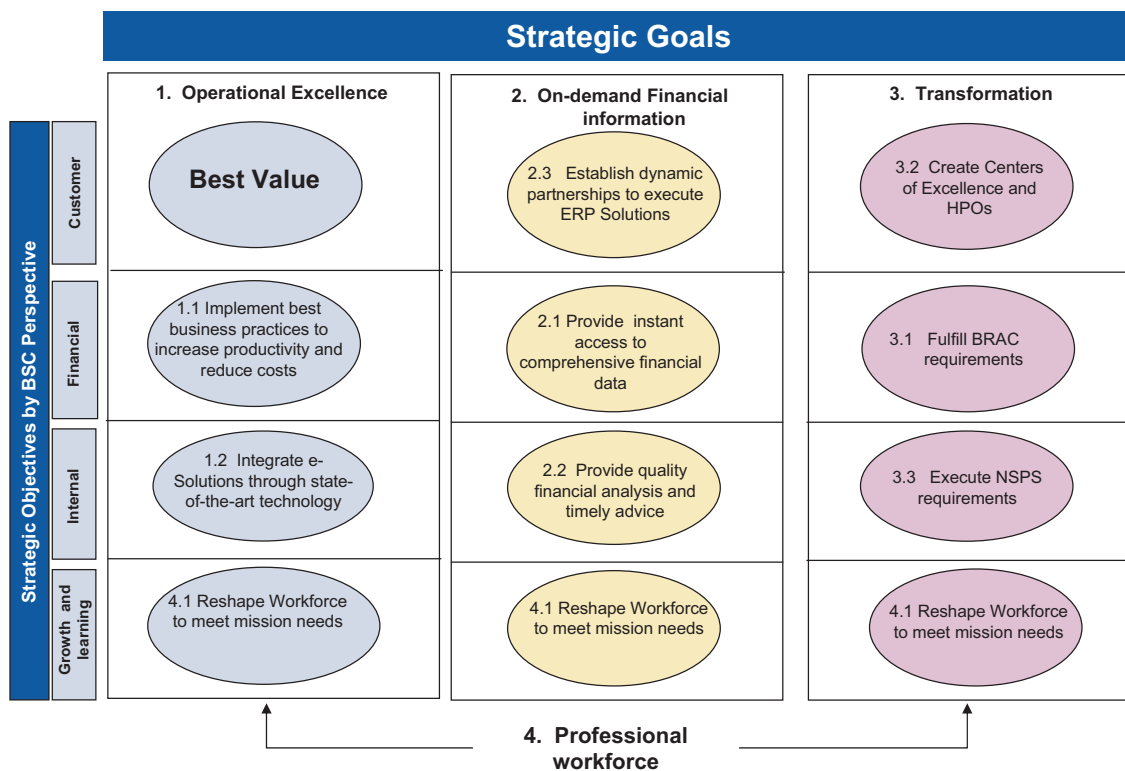


Figure 3: Strategic Goals and Objectives by BSC Perspectives

4A: Improving Our Operations: Becoming World Class

Goal 1 – Attain operational excellence in finance and accounting services

DFAS will improve its business operations and streamline processes through aggressive pursuit of innovative ideas, enhanced systems interfaces, knowledge-sharing, and standardized services and practices. DFAS remains focused on achieving increased return on investments that translate into customer savings.

Strategic Objectives

1. Implement best business practices to increase productivity and reduce costs
2. Integrate e-solutions through state-of-the-art technology

Performance Measures

1. Financial Performance Index
2. Estimated Lean 6 Return on Investment (ROI)
3. Use of e-Solutions
4. Achieving a comprehensive A-123 program
5. Productivity, Timeliness, and Quality index

4B: Taking Care of Our Customers

Goal 2 – Deliver financial information on-demand for decision-makers

DFAS customers have been asking for greater access to financial data, increased availability of financial advice useful in decision-making and interactive partnerships with DFAS and other DoD components in developing and implementing ERP solutions. These requests are high priorities for DFAS over the next 3 - 5 years and figure prominently in the 2006-2011 Strategic Plan.

Strategic Objectives

1. Provide instant access to comprehensive financial data
2. Provide quality financial analysis and timely advice
3. Establish dynamic partnerships to execute ERP solutions

Performance Measures

1. Customer satisfaction index
2. Customers with improved access to business intelligence

4C: Establishing the WOW: Delivering Best Value

Goal 3 – Transform DFAS to become a Center of Excellence

Implementing BRAC requirements and executing NSPS directives present additional challenges as well as opportunities for DFAS in transforming itself from a large transaction-dependent “pay service” to a more agile finance and accounting service. Over the next 5 years, DFAS will consolidate operations, improve processes, and benchmark key activities against the best in government and industry. DFAS will close service gaps and develop Centers of Excellence in acquisition, active and reserve pay, retired and annuitant pay, debt and garnishment, and contact centers.

Strategic Objectives

1. Fulfill BRAC requirements
2. Create COEs and HPOs
3. Execute NSPS requirements

Performance Measures

1. Execute BRAC Transition
2. Execute NSPS implementation
3. Benchmarking: Agency-wide Index

4D: Establishing the WOW: Motivating Our Employees

Goal 4 – Attain a highly professional workforce with indispensable skills and competencies

As DFAS reduces the number of operating sites, automates more of its transactions, and transforms its systems to be more flexible and accessible, its employees will transform as well. Key to the DFAS success is the attention it pays to providing all staff every opportunity to grow and perform in new methods, challenging practices, and changing venues.

Strategic Objectives

1. Reshape workforce to meet mission needs

Performance Measures

1. Succession planning
2. Recruitment timelines

4E: Using the Balanced Scorecard to Measure Our Strategy

“Measurement Matters: If you can’t measure it, you can’t manage it”
(Kaplan and Norton, 1996)

The DFAS Balanced Scorecard (BSC) provides a comprehensive framework that translates the DFAS vision and strategy into a reasoned set of performance measures. The measures relate to the strategic outcomes and align within the following four perspectives:

- Customer Perspective:** Measures how well the DFAS strategy anticipates customer needs, meets customer requirements, and provides world-class customer service.
- Financial Perspective:** Measures the impact of strategy execution on bottom-line improvement.
- Internal Perspective:** Measures the impact of internal processes on customer satisfaction and the DFAS financial objectives.
- Growth and Learning:** Measures success of the DFAS strategy in closing gaps between existing capabilities of people, systems, and procedures and those needed to achieve the DFAS long-term strategic goals and objectives.

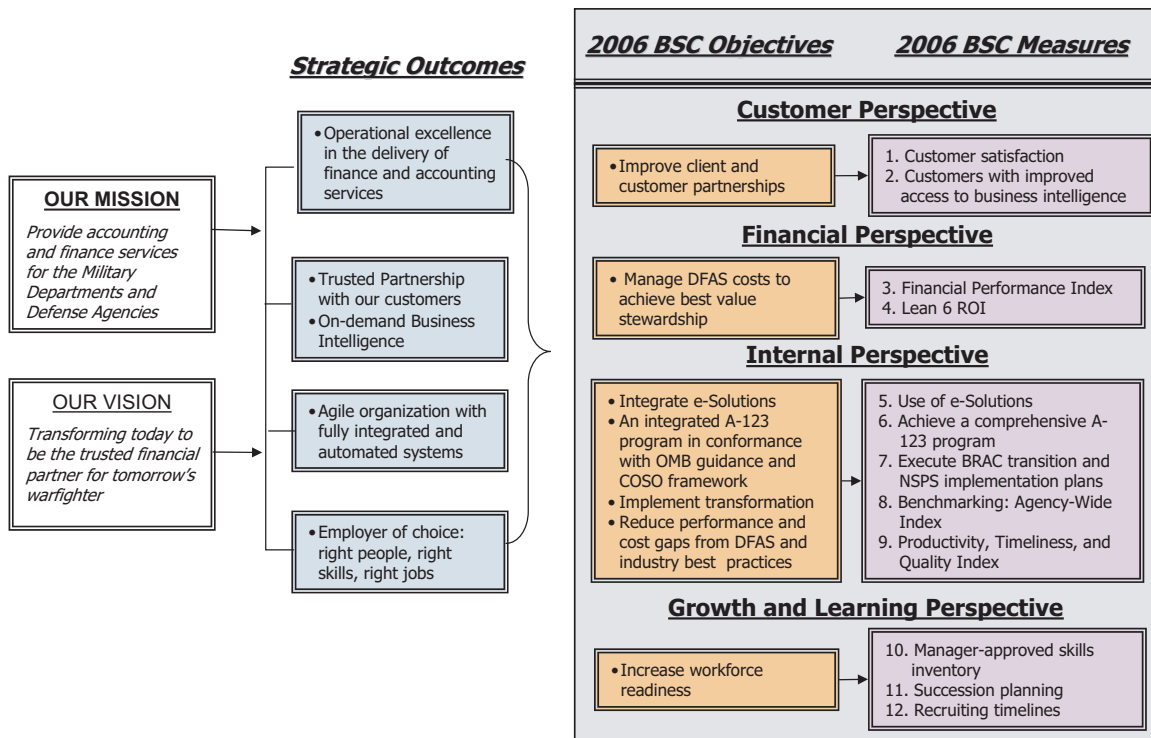


Figure 4: FY 2006 Balanced Scorecard aligned with DFAS Strategy

5: What this plan means to you?

This plan provides direction and focus for all aspects of the DFAS functions, from operations to customer service. From the plan's goals, outcomes and objectives, the DFAS leaders and managers can establish the initiatives that will ultimately allow the agency to realize its potential to be the world's best finance and accounting partner for the nation's military men and women.

But what does this plan really mean to the many groups that it will impact?

For the DFAS employees, this plan requires their commitment and participation in transforming the agency while maintaining and exceeding the standards of service and support they provide to customers. It is their experience that will allow specific initiatives to make a real difference in how the agency does business now and in the future. Understanding the overall direction that DFAS is headed will make their input all the more effective.

The DFAS customers, from military members and civilian employees to contractors and DoD leadership, have maintained consistently high expectations for the finance and accounting services the agency provides. This plan directs all of the agency's efforts, from transformation programs to development of faster, smarter, and more accurate pay processes, to meeting the growing and diversified needs of all the DFAS customers. From this strategic plan, these varied groups can take confidence that they are and will be the agency's prime focus.

DoD leadership depends on the DFAS to provide the very best business intelligence and accounting services. The demands on decision makers in a time of rapid change and the Global War on Terror continue to rise. The need for accurate data in making these critical choices is crucial. The goals contained in this plan will result in more up-to-date financial information that leaders can use with utmost confidence.

Confidence is also the agency's aim for stakeholders, including the American taxpayer. Every aspect of the DFAS organization, operations, and systems reflects the responsibility for financial stewardship placed upon the agency.

The DFAS Strategic Plan 2006-2011 will be a dynamic and guiding document for the agency's evolution. It forms the foundation that DFAS can use to realize its vision of "Transforming today to be the trusted financial partner for tomorrow's warfighter."

Glossary of Terms

Benchmark Cost and Service Gaps	Measuring and comparing the DFAS cost and service performance against similar organizations considered world class. Achieving strategic plan goals and objectives are intended to close the gaps.
Best Practices	Those procedures and processes used by world class and high performing organizations to achieve goals and objectives. DFAS strives to implement best practices, as appropriate.
Base Realignment and Closure (BRAC)	BRAC is the result of DoD and Congressional efforts to create more efficient and effective operations by consolidating operations and functions.
Balanced Scorecard (BSC)	A process to improve organizational performance by creating focused goals and strategies, then measuring achievements in four areas: customer, financial, internal processes, and learning and growth.
Center of Excellence (COE)	An organization that focuses on best practices and the highest performance standards in a particular area or function. DFAS operates a COE for Reserve and Guard Pay and is striving to be a COE for accounting and finance analysis and service.
Corporate Operations Plans	The plans created by the Business Lines and organizations to execute strategic initiatives. The operations plan supplements the strategic plan and delineates operational objectives and critical initiatives.
Enterprise Resource Planning (ERP) Solutions	Initiatives used to integrate functions across organizations and provide a single-threaded process to produce auditable financial statements.
Gap Analysis	Evaluation of differences between the organization's current position, and its desired future. Results provide information for developing strategies and allocating resources to close the gap.
High Performing Organization (HPO)	An organization whose cost and productivity performance exceeds that of comparable providers, whether public or private.
Human Capital Strategic Plan	A plan that supports the Strategic Plan with in-depth details of human performance and allows for retraining and recruiting of the best people for the right jobs.
Key Performance Index (KPI)	A rating that considers the achievement of 2 or more measures to create a composite rating.
Lean 6	A method to reduce process variation, streamline operations and create more efficient and cost effective capabilities.

Material Weakness	Significant weaknesses in the design or operation of internal control that could adversely affect the agency's ability to meet its objectives. OMB Circular 123 uses the same term to encompass not only financial reporting, but also weaknesses found in program operations and compliance with applicable laws and regulations. Material weaknesses for the purposes of the Circular are determined by management, whereas material weaknesses reported as part of a financial statement audit are determined by independent auditor.
National Security Personnel System (NSPS)	A human resources management system that provides new rules and processes for pay and classification, performance management, hiring, reduction in force, disciplinary matters and appeal procedures, and labor-management relations.
Performance Goal	A target level of performance expressed as a tangible, measurable objective against which actual achievement can be compared, including a goal expressed as a quantitative standard, value, or rate.
Performance Measure	Tabulations, calculations, recordings of activities or efforts, or assessments of results compared to intended purposes, that can be expressed quantitatively or another way that indicates a level or degree of progress and performance.
Recruiting Timelines	The time it takes to fill a personnel position after it has been identified as open.
Return on Investment (ROI)	The savings accrued or operational improvement achieved after implementation of a process improvement, for example, a Lean 6 project.
Skills Inventory	A joint process between a manager and employee to determine how well employee skills match job requirements and to identify needs for training support.
Strategic Goals	Broad based issues targeted for achievement within a 5-10 year period.
Strategic Initiatives	Specific, actionable, and measurable activities that move the DFAS forward in meeting strategic goals and achieving a desired future.
Strategic Objectives	Intermediate aims that lead to the achievement of a goal.
Succession Plans	Processes created to ensure that critical positions and functions do not remain open and uncovered.
Target Values	Target values are used to evaluate performance measurement data, typically to assess performance achieved compared to performance expected—the target.



**DFAS STRATEGIC PLAN
FY 2006-2011**

FOCUS ON SUPPORTING THE WARFIGHTER